

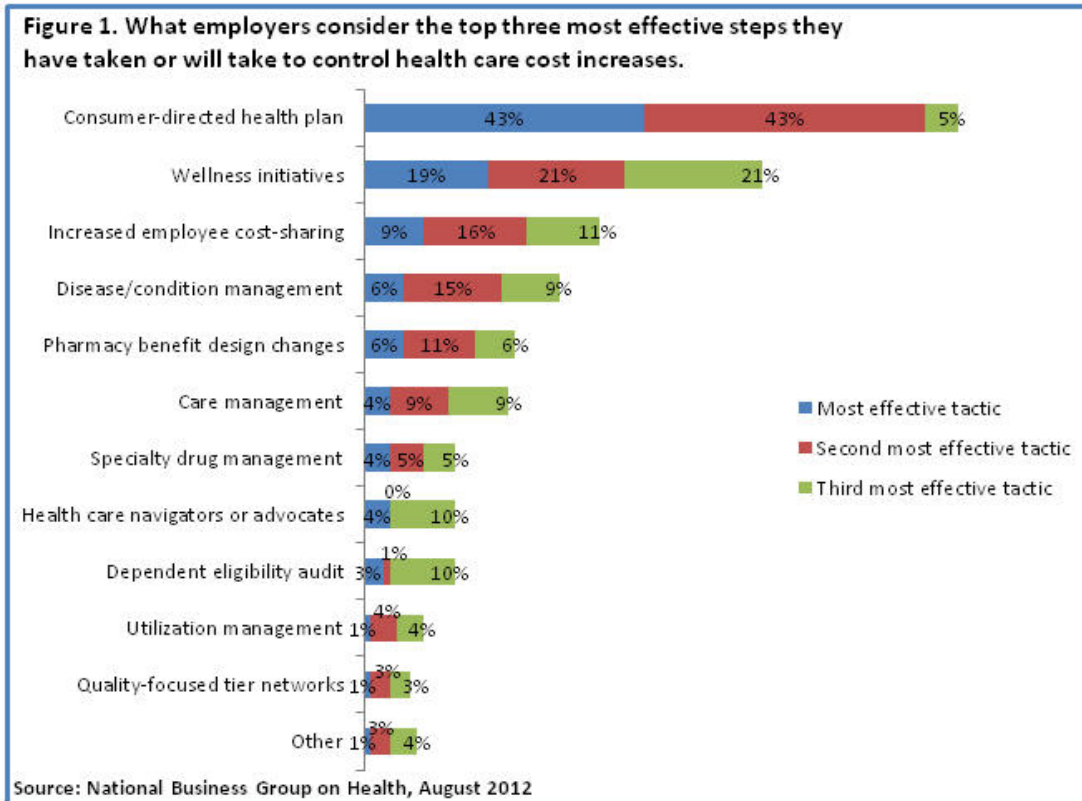
A banner image showing several smooth, dark stones floating on a calm body of water, with the word "benefitNEWS" written in a white, lowercase, sans-serif font on the right side.

benefitNEWS

## Results of Large Employers' 2013 Health Plan Design Survey

According to the results of their latest annual survey from the National Business Group on Health (NBGH), employers expect that healthcare benefits costs will increase an average of 7% in 2013. That's the same increase they projected for 2012, but smaller than employers experienced the previous three years. Despite being able to 'hold the line' on increases, six in ten employers (60%) plan to increase the percentage of the premium paid by employees in 2013, although the majority of those employers indicated that the increase would be a small amount (less than 5%). Additionally, 40% plan to increase in-network deductibles while roughly one-third will increase out-of-network deductibles (33%) and out-of-pocket maximums (32%).

While many employers continue to adopt cost-sharing provisions, survey respondents now consider consumer-directed health plans (CDHPs) and wellness initiatives to be more effective at stemming costs than shifting costs to employees. According to the survey, 43% cited a CDHP as the most effective cost-control tactic, followed by wellness programs (19%). Less than one in ten (9%) respondents reported increased employee cost-sharing as the most effective tactic (**Figure 1**). Last year, cost shifting was cited as the most effective measure.



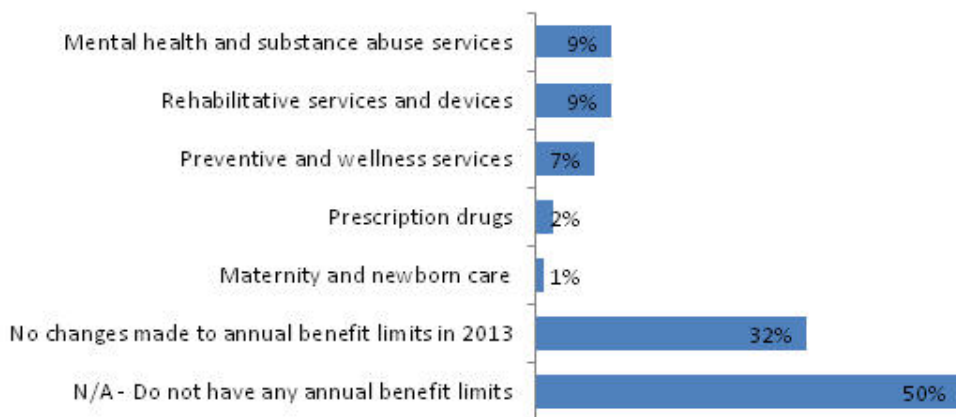
The survey found that employers – in their efforts to engage employees in healthy behaviors and lifestyles – continue to experiment with and perfect the best ways to incorporate financial incentives into wellness programs. While nearly half of respondents (48%) use incentives to encourage participation in programs, some employers are basing incentives on specific health outcomes. More than four in ten (44%) provide an incentive based upon tobacco-use status, while 29% base awards upon achievement of outcomes such as body mass index or cholesterol levels. Just under one-fourth of respondents (22%) take a different approach – applying surcharges to employees for not participating in certain programs.

Employers plan to sharply increase the incentive amount for maintaining a healthy lifestyle or participating in a wellness program. Among employers that offer incentives, the median amount employees can earn will jump 50% from \$300 this year to \$450 next year. The median incentive amount that dependents can earn is expected to increase from \$250 in 2012 to \$375 in 2013.

Respondents were asked what changes they made or are planning to make as regulations from the Affordable Care Act continue to come into effect. The survey found the following:

**Annual benefit limits.** Half of all respondents indicated they no longer have any annual benefit limits in place, while nearly one third (32%) reported that they did not make any changes to their annual limits this year. Among employers making changes for 2013, the most common benefits requiring adjustments to their annual limits were mental health and substance abuse and rehabilitative services and devices (**Figure 2**).

**Figure 2. Changes employers have made in selected benefit categories as restrictions on annual benefit limits phase in toward a complete ban in 2014.**

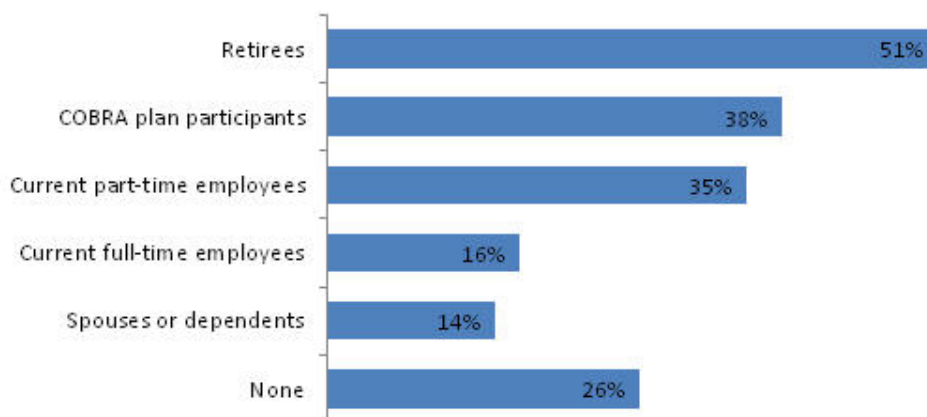


Source: National Business Group on Health, August 2012

**Grandfather status.** The majority of respondents (57%) did not have any benefit option in grandfather status this year, compared to 49% last year. However, more than one fourth (27%) will have at least one grandfathered health plan this year.

**Health insurance exchanges.** More than half of respondents believe that some retirees might find state health insurance exchanges to be a viable option for health insurance. More than one-third felt that COBRA plan participants might consider exchanges, while 35% felt that part-time employees might consider exchanges (**Figure 3**).

**Figure 3. Groups currently covered by an employer-provided health plan for which employers anticipate that exchange coverage will be an option.**



Source: National Business Group on Health, August 2012

The survey, based on responses from 82 of the nation's largest corporations, was conducted in June, 2012 prior to the Supreme Court's announcement to uphold the healthcare reform law.

Should you have any questions about this survey or taking steps to control your healthcare costs, please contact your Conner Strong & Buckelew account representative.



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